

105 KAR 1:410. Kentucky Retirement Systems Health Insurance and Kentucky Retirement Systems Insurance Fund Trust.

RELATES TO: KRS 16.505(26), 16.576(4), 61.510(27), 61.645(9)(g), 61.701, 61.702, 78.510(26), 26 U.S.C. 105(b), 115, 213(d), Pub.L. 111-148

STATUTORY AUTHORITY: KRS 61.645(9)(g), 61.701(6), 61.702

NECESSITY, FUNCTION, AND CONFORMITY: KRS 61.645(9)(g) requires the Board of Trustees of Kentucky Retirement Systems to promulgate all administrative regulations necessary or proper in order to carry out the provisions of KRS 61.515 to 61.705, 16.510 to 16.652, and 78.520 to 78.852. KRS 61.701(6) authorizes the board to promulgate administrative regulations to ensure the income of the Kentucky Retirement Systems Insurance Fund is exempt from taxation under Title 26 of the United States Code. KRS 61.702 requires the board to promulgate administrative regulations concerning requirements for a medical insurance reimbursement program. This administrative regulation establishes procedures for the administration of the Kentucky Retirement Systems health and hospital insurance benefits, as well as establishing eligibility requirements, necessary documentation for proof of insurance, deadlines for filing for reimbursement, and forms.

Section 1. Definitions. (1) "Dependent child", as used in KRS 61.702(4), is defined by KRS 16.505(17).

(2) "Monthly contribution rate" means:

(a) The amount determined by the board as the maximum contribution the retirement systems will pay toward the health insurance premium of a retiree whose membership date is on or before June 30, 2003, including retirees who were hired by a participating agency prior to June 30, 2003, and who established a membership date between July 1, 2003, and July 12, 2004; or

(b) For a retiree whose membership date is on or after July 1, 2003, the amount per month earned by the retiree based on years of service as provided in KRS 61.702(8).

(3) "Recipient" is defined by KRS 61.510(27).

Section 2. Trust Fund. (1) Pursuant to KRS 61.701, fund assets shall be dedicated for use toward health benefits, as provided in KRS 61.702, and as permitted under 26 U.S.C. 105 and 106 of the United States Internal Revenue Code, to retired recipients and employees of employers participating in the Kentucky Employees Retirement System, County Employees Retirement System, and State Police Retirement System. Certain dependents or beneficiaries shall be included, such as qualified beneficiaries as described in 42 U.S.C. 300bb-8(3) of the United States Public Health Service Act.

(2) The board shall manage the assets of the trust fund in accordance with KRS 61.701(3).

(3) Employers participating in the trust fund shall be limited in accordance with KRS 61.701(4).

(4) If the trust fund is terminated, the assets in the trust fund may revert to the participating employers, in accordance with KRS 61.701(5).

(5) The board of trustees may adopt a trust agreement and take all action authorized by KRS 61.701(6).

Section 3. (1) A person shall not be eligible to participate in the group health plans administered by Kentucky Retirement Systems until the person is a recipient of a monthly retirement allowance as defined in KRS 16.505(26), 61.510(27), or 78.510(26), except as provided in KRS 16.576(4).

(2) A person who retires under disability retirement shall not be eligible to participate in the group health plans administered by Kentucky Retirement Systems until the month the person receives the person's first monthly retirement allowance payment.

(3) A recipient's spouse or dependent shall not be eligible to participate in one (1) of the group health plans administered by Kentucky Retirement Systems unless the recipient is participating in one (1) of the group health plans administered by Kentucky Retirement Systems.

(4) An alternate payee shall not be eligible for participation in the group health plans administered by Kentucky Retirement Systems.

Section 4. (1) The board shall adopt monthly contribution rates as follows:

- (a) Hazardous Medicare eligible coverage;
- (b) Nonhazardous Medicare eligible coverage;
- (c) Hazardous non-Medicare eligible coverage; and
- (d) Nonhazardous, non-Medicare eligible coverage.

(2) The board may adopt separate contribution rates for tobacco and non-tobacco users.

Section 5. (1) A recipient, spouse, or dependent who is Medicare eligible shall not participate in the non-Medicare eligible group health plan offered through Kentucky Retirement Systems.

(2) A recipient, spouse, or dependent who is not Medicare eligible shall participate in the non-Medicare eligible group health plan offered through Kentucky Retirement Systems, unless the recipient, spouse, or dependent waives participation in the non-Medicare eligible group health insurance plan in writing.

(3) If a recipient, spouse, or dependent is eligible for Medicare but the other persons enrolled in the group health plan are not, then the recipient, spouse, or dependent who is not eligible for Medicare may continue to participate in the non-Medicare eligible group health plan offered through Kentucky Retirement Systems.

Section 6. (1) The monthly contribution rate paid by Kentucky Retirement Systems towards health insurance premiums for a recipient shall not exceed the monthly contribution rate to which the recipient is entitled under KRS 61.702.

(2) A retiree who is not eligible for coverage based on hazardous service and who is receiving more than one (1) monthly retirement allowance from one (1) of the plans administered by Kentucky Retirement Systems shall not receive more than the single monthly contribution rate for the plan chosen by the recipient.

(3) A retiree who retired based on reciprocity with any of the state-administered retirement systems shall only receive the monthly contribution rate to which the retiree is entitled based on the retiree's service credit with the retirement systems administered by Kentucky Retirement Systems.

(4) Pursuant to KRS 61.702(4)(b), funds from the insurance trust fund or the 401(h) accounts provided for in KRS 61.702(2)(b) shall be used to pay a percentage of the monthly contribution rate for family coverage for the spouse and each dependent child as defined in KRS 16.505(17).

Section 7. (1)(a) If the retirement system utilizes the group health insurance provided by the Kentucky Department of Employee Insurance to provide health insurance coverage for its non-Medicare eligible recipients, then the retirement system shall provide recipients with the forms required by the Kentucky Department of Employee Insurance for enrollment, waiver, or changes to the group health plan for recipients of a monthly retirement allowance from any of the

state-administered retirement systems.

(b) The retirement systems shall provide the Form 6200, Kentucky Retirement Systems Medicare Eligible Insurance Enrollment Form to Medicare eligible recipients.

(2)(a) The board shall adopt a default plan in which a recipient who did not submit an insurance form shall be enrolled.

(b) If the recipient fails to submit an insurance form to the retirement office by the last day of the month prior to the month the initial retirement allowance is paid, the recipient shall be automatically enrolled in the plan adopted by the board as the default plan.

(c) If the recipient fails to submit an insurance form to the retirement office by the last day of the month the recipient becomes eligible for Medicare, the recipient shall be automatically enrolled in the plan adopted by the board as the default plan.

Section 8. (1) The recipient of health and hospital insurance whose premium exceeds the recipient's monthly retirement allowance shall pay the balance of the health insurance premium to the retirement systems monthly by electronic transfer of funds.

(2) The recipient shall execute a Form 6131, Bank Draft Authorization for Direct Pay Accounts.

(3)(a) If a recipient fails to remit the balance of the health insurance premium by the date provided on the invoice, then the recipient's enrollment in the group health plan provided by the retirement systems shall be cancelled the month after the last month the recipient paid the premium.

(b) If a recipient's health insurance coverage is cancelled pursuant to this section, the recipient shall not be eligible to enroll in the group health insurance plan provided by the retirement systems until the next open enrollment period for health insurance coverage.

Section 9. (1) A recipient may participate in the medical insurance reimbursement plan if the recipient lives in an area outside of the coverage of the group health plan provided by the retirement systems and is:

(a) A retired member of one (1) of the systems administered by Kentucky Retirement Systems;

(b) The beneficiary of a retired member with hazardous service in one (1) of the systems administered by Kentucky Retirement Systems; or

(c) The beneficiary of a retired member with service as a member of the General Assembly.

(2) The reimbursement plan shall be available in any month the recipient is not eligible for:

(a) In-network benefits through a health provider offered through the state group medical insurance administered by the Commonwealth of Kentucky; or

(b) Coverage under an indemnity plan offered to and providing the same payments for medical services to retired members residing in Kentucky.

(3) Medical insurance premiums eligible for reimbursement shall be the premiums for hospital and medical coverage paid for by the eligible recipient up to the applicable monthly contribution rate.

(4) An eligible recipient shall file a Form 6240, Application for Medical Insurance Reimbursement at the retirement office with one (1) or more of the following as proof of payment for hospital and medical insurance premiums:

(a) A copy of the invoice from the insurance company and copy of the receipt of payment;

(b) A copy of the invoice from the insurance company and copy of the front and back of the cancelled check made out to the insurance company;

(c) A copy of the eligible recipient's pay stub if the pay stub clearly shows a deduction for hospital and medical insurance;

(d) A statement from the eligible recipient's employer listing dates and amounts of premiums deducted from wages;

(e) A copy of a bank statement showing deductions for hospital and medical insurance if the statement clearly indicates payment to a company that provides only hospital and medical insurance;

(f) A copy of a bank statement showing deductions to an insurance company along with a statement from the insurance company listing dates and amounts of premiums; or

(g) Other documentation which is necessary to prove payment for hospital or medical insurance.

(5) An eligible recipient shall file a Form 6240, Application for Medical Insurance Reimbursement each calendar year for reimbursement. An eligible recipient may file a Form 6240, Application for Medical Insurance Reimbursement each quarter of a calendar year for reimbursement.

(6) If the eligible recipient files a completed Form 6240, Application for Medical Insurance Reimbursement and the required proof, the eligible recipient shall be reimbursed on the following schedule:

(a) In May, if the documentation is filed at the retirement office by April 20;

(b) In August, if the documentation is filed at the retirement office by July 20;

(c) In November, if the documentation is filed at the retirement office by October 20; or

(d) In February, if the documentation is filed at the retirement office by January 20.

(7) The retirement system shall not reimburse an eligible recipient for premiums for a calendar year if the eligible recipient fails to file at the retirement office a Form 6240, Application for Medical Insurance Reimbursement and required proof by March 20 of the following calendar year.

(8) The retirement system may verify the recipient's eligibility for reimbursement for hospital and medical insurance by requesting verification of coverage and payments directly from the insurance company indicated on the Form 6240, Application for Medical Insurance Reimbursement.

(9)(a) If a recipient receives a payment from the retirement system which does not qualify as a medical insurance premium reimbursement, the recipient shall return the payment to the retirement system.

(b) If the recipient fails to return the payment, the retirement systems may withhold the payment from the recipient's monthly retirement allowance payment.

Section 10. Incorporation by Reference. (1) The following material is incorporated by reference:

(a) The "Kentucky Retirement Systems Insurance Fund Trust Agreement", dated August 21, 2008;

(b) Form 6131, "Bank Draft Authorization for Direct Pay Accounts", September 2014;

(c) Form 6240, "Application for Medical Insurance Reimbursement," July 2011; and

(d) Form 6200, "Kentucky Retirement Systems Medicare Eligible Insurance Enrollment Form," September 2014.

(2) This material may be inspected, copied, or obtained, subject to applicable copyright law, at the Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, Monday through Friday, 8 a.m. to 4:30 p.m. (41 Ky.R. 1254; Am. 1511; eff. 2-6-2015.)